

Message Text

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ACTION STR-04

INFO OCT-01 STRE-00 ISO-00 AGR-05 FEA-01 CEA-01
CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
OMB-01 OIC-02 IO-13 AF-10 ARA-10 EA-07 EUR-12
NEA-10 IGA-02 /147 W
-----081355Z 114953 /41

P R 081258Z JUN 77

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 8056

INFO AMEMBASSY BRUSSELS

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USMTN

PASS AGRICULTURE

ACTION STR

E.O. 11652: N/A

TAGS: ETRD MTN

SUBJ: GROUP AGRICULTURE

REF: GENEVA 4488

1. FOLLOWING ARE MTN DEL COMMENTS AND RECOMMENDATIONS ON THE EC PROPOSAL CONCERNING AGRICULTURE (REFTEL). THIS PROPOSAL MAY BE FIRST SUBMITTED AT US-EC BILATERALS AND THEN TO GROUP AGRICULTURE MEETING. DATE FOR THIS MEETING HAS NOT YET BEEN FIXED BUT APPEARS NOW IT MAY BE IN WEEK BEGINNING JULY 18.

2. THE SUMMARY DESCRIPTION OF EC PROPOSAL (PARAS 3 AND 4

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OF REFTEL) APPEARS CONSISTENT WITH EC'S INTERNAL GUIDE-LINES FOR MTN. WE ARE NEVERTHELESS NOT SURE WHETHER EC DEL WILL INDEED HAVE AUTHORITY TO MAKE THE PROPOSAL, SINCE IT HAS STILL TO BE APPROVED BY THE MEMBER STATES AT A MEETING SCHEDULED FOR JUNE 10 IN BRUSSELS. WE UNDERSTAND THAT THE FRENCH FEAR THAT THIS PROPOSAL GOES TOO FAR WHILE THE BRITISH SEEM TO BELIEVE THAT IT IS PRIMARILY

MOTIVATED BY TACTICAL CONSIDERATIONS.

3. ASSUMING THE EC PROCEEDS IN THE WAY DESCRIBED BY JACQUOT, IT PROBABLY WOULD FIRST OUTLINE THIS APPROACH DURING THE HIGH-LEVEL US-EC CONSULTATIONS IN MID-JULY PRIOR TO THE GROUP AGRICULTURE MEETING.

4. MTN DEL HAS BEEN IN FAVOR FOR MANY MONTHS NOW OF TRYING TO WORK OUT AN UNDERSTANDING WITH THE EC ON HOW HANDLE AGRICULTURE IN THE MTN. WE ARE SUMMARIZING BELOW THE MAIN ELEMENTS OF THE KIND OF UNDERSTADNING WE IN MTN DEL HAVE FACTOREDFOR SOME TIME AND RESPECTFULLY URGE CAREFUL WEIGHING OF THESE SUGGESTIONS AGAINST THE ALTERNATIVE OF SIMPLY STANDING PAT AND CONTINUING THE STERILE PROCEDURAL DISPUTE OF PAST SEVERAL YEARS.

(A) MTN DEL FAVORS CHANGING PREVIOUS ADMINISTRATION'S POLICY THAT AGRICULTURAL PRODUCTS MUST BE INCLUDED IN AUTOMATIC APPLICABILITY OF THE TARIFF-CUTTING FORMULA TO A POLICY OF ADOPTION OF A "REQUEST-OFFER" PROCEDURE (WHICH COULD BE CARRIED OUT UNDER THE AUSPICES OF GROUP AGRICULTURE). THIS COULD BE PORTRAYED IN BILATERAL US-EC NEGOTIATIONS AS A MAJOR CONCESSION TO THE EC BECAUSE IT IS WHAT THEY ARE ASKING FOR. HOWEVER, IT WOULD NOT BE A CONCESSION AT ALL BUT, RATHER, IT WOULD BE IN THE BEST INTERESTS OF OUR OWN DOMESTIC AGRICULTURE BECAUSE IT WOULD ALLOW US TO CONCENTRATE NEGOTIATIONS ON PRODUCTS OF TRADE INTEREST TO THE U.S. AND AVOID GIVING THE EC AND OTHER COUNTRIES A "FREE-RIDE." IT WOULD AVOID GIVING LIMITED OFFICIAL USE

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THE EC CREDIT FOR ESSENTIALLY MEANINGLESS TARIFF CUTS ON PRODUCTS SUBJECT TO THE CAP. MOREOVER, WE SEE NO WAY TO INDUCE OTHER COUNTRIES SUCH AS JAPAN OR CANADA TO CUT THEIR AGRICULTURAL TARIFFS VIA A COMMON FORMULA FOR INDUSTRY AND AGRICULTURE, WHILE THE EC APPLIES THE FORMULA ONLY TO INDUSTRIAL PRODUCTS. MASSIVE AGRICULTURAL EXCEPTIONS TO A UNIFORM FORMULA CUT WOULD BE INEVITABLE (INCLUDING BY THE U.S.) THUS UNDERMINING THE IDEA OF KEEPING EXCEPTIONS TO A BARE MINIMUM. MTN GENEVA 3742 MADE SEVERAL MORE DETAILED SUGGESTIONS WITH RESPECT TO A "REQUEST-OFFER" PROCEDURE FOR AGRICULTURAL TARIFFS, ONE KEY ELEMENT BEING SIMULTANEOUS TABLING OF INDUSTRIAL OFFERS/EXCEPTIONS AND AGRICULTURAL OFFERS.

(B) IN RETURN FOR THE ABOVE "CONCESSION"(SIC) TO THE EC, WE WOULD BE ENTITLED TO ASK THE EC TO DO SOMETHING WE WANT, NAMELY STOP RAISING PROCEDURAL ISSUES ABOUT THE AGRICULTURAL COVERAGE OF THE NONTARIFF MEASURE NEGOTIATING GROUPS. WE CAN THROW THEM A SOP BY EXPRESSING NO

OBJECTION TO A GROUP AGRICULTURE REVIEW FROM TIME TO TIME
OF WHAT IS GOUNG ON IN NTM GROUPS AND SUBGROUPS, BUT
THE WORK IN THE NONTARIFF MEASURES AREA SHOULD PROCEED
WITH COVERAGE OF BOTH INDUSTRIAL AND AGRICULTURAL
PRODUCTS. THIS IS INDISPENSABLE IN THE CASE OF CUSTOMS
WORK, STANDARDS, IMPORT LICENSING REGIMES, SAFEGUARDS,
GOVERNMENT PURCHASING AND, PERHAPS MOST IMPORTANT OF
ALL, SUBSIDIES AND COUNTERVAILING DUTIES.

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5. WITH REGARD TO SUBSIDIES, WE WISH TO UNDERLINE THE
POINT MADE WITH CONSIDERABLE PERSUASIVENESS BY AMBASSA-
DOR GREY OF CANADA DURING HIS RECENT CONSULTATIONS IN
WASHINGTON WHEN HE CAUTIONED AGAINST HAVING RULES WITH
RESPECT TO AGRICULTUREAL SUBSIDIES TIED IN WITH COMMODITY
AGREEMENTS. SUCH AGREEMENTS ARE OF LIMITED DURABLILTY
AND ALSO HAVE AN UNFORTUNATE HISTORY OF BECOMING INOPERABLE.
THEREFORE, RULES ON DISCIPLINE OVER EXPORT SUBSIDIES
TREATED ONLY IN THE CONTEXT OF AN AGREEMENT FOR A SPECIFIC
COMMODITY AND NOT PART OF A GENERAL CODE WOULD RUN THE
RISK OF BECOMING INOPERABLE AS A COMMODITY AGGRANGEMENT
EXPIRES OR COLLAPSES.

6. WE ARE AWARE THAT THE PROPOSAL IN PARA 4(A) ABOVE IS
A CONTROVERSIAL ONE AND WE REGRET THAT THE CROWDED SCHEDULES
OF KEY STR AND OTHER WASHINGTON OFFICIALS HAVE PRECLUDED

OUR HAVING AN OPPORTUNITY TO GO OVER IT THOROUGHLY. WE
ARE AWARE THAT SOME IN WASHINGTON FEEL STRONGLY THAT THE
U.S. FARM COMMUNITY SIMPLY "WILL NOT BUY IT" BECAUSE IT
COULD BE CONSTRUED AS SEPARATING AGRICULTURE FROM INDUSTRY.
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WE BELIEVE U.S. FARM GROUPS ARE SOPHISTICATED ENOUGH TO
RECOGNIZE THAT THEIR OWN INTERESTS ARE BETTER SERVED BY OUR
SEEKING TRADE BENEFITS FOR U.S. AGRICULTURE RATHER THAN
ALLOWING THE MTN TO FLOUNDER THROUGH THIS INCESSANT PRO-
CEDURAL DISPUTE. IT IS OUR JUDGMENT THAT THE COMMUNITY WILL
NEVER AGREE TO APPLY THE FORMULA TO AGRICULTURE AND WE
THINK IT IS A SERIOUS ERROR TO JUDGMENT TO ASSUME THAT
ANY OTHER U.S. TRADE PARTNER WOULD AGREE TO A FORMULA CUT
APPLICABLE TO AGRICULTURE IF THE EC DOES NOT AGREE. IN A
DISCUSSION HERE WITH AMBASSADOR STRAUSS, SENATORE RUSSELL
LONG AND RIBICOFF, AND SENATE FINANCE COMMITTEE STAFF HERE
LAST WEEK WE OUTLINED ALTERNATIVE WAYS OF UNBLOCKING THE
MTN. WHILE WE EMPHASIZED THAT THE SUGGESTION IN PARA 4(A)
WAS NOT REPEAT NOT U.S. POLICY BUT ONE THAT THE MTN DEL
STRONGLY FAVORED, WE FOUND CONSIDERABLE RECEIPTIVITY TO THE
IDEA OF TRYING SOMEHOW TO GET OUT OF THE TRENCHES ON AGRI-
CULTURE AND THAT IF IT COULD BE DEMONSTRATED THAT THIS
ALTERNATIVE WOULD ADVANCE U.S. AGRICULTURAL INTERESTS,
SELLING IT DOMESTICALLY WOULD NOT BE DIFFICULT. (IN THIS
CONNECTION, WE LEFT WITH STARKEY LAST WEEK AN MTN DEL
ANALYSIS OF THIS POINT.)

7. MTN DEL IS OF THE OPINION THE U.S. RESPONSE TO THE EC
POSITION OUTLINED REFTEL WILL HAVE A MAJOR IMPACT ON WHETHER
THE MTN CAN GET OFF THE GROUND THIS SUMMER. THE ISSUES
PROPOSED IN REFTEL AND ABOVE ARE OF CRUCIAL IMPORTANCE
AND DESERVE THE PERSONAL ATTENTION OF AMBASSADORS STRAUSS
AND WOLFF TOGETHER WITH TOP LEVELS OF USDA AND OTHER AGENCIES.
CULBERT

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